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UNCLAS SECTION 01 OF 02 HONG KONG 001679

SIPDIS

STATE FOR EAP/CM AND EEB, TREASURY FOR OASIA

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SUBJECT: HONG KONG AIR/MARITIME THROUGHPUT CARGO UPDATE -
JULY 2009

REF: HONG KONG 158

11. SUMMARY: According to Hong Kong Government figures, local air and maritime cargo throughput may be recovering from the steep drops seen earlier this year. Maritime cargo volumes fell 14.5 percent year-on-year for July 2009 but increased 8 percent from June. Air cargo throughput in July fell 8.4% compared to the previous year, the smallest monthly decline in air cargo since September 2008. Increasing air cargo trade with Europe and North America supported continued recovery in intra-Asian trade. Hong Kong registered maritime cargo capacity increased, in spite of excess demand that has empty ships moored in Hong Kong waters. END SUMMARY

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HK Container Traffic Recovering
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12. (U) The Hong Kong Government's Marine Department released figures indicating the container throughput for all Hong Kong port facilities fell 14.5% in July 2009 compared with the July 2008. Through the first seven months of 2009 volumes were down 17.0% compared to the same period in 2008. The Maritime Department estimated a total of 1,930,000 Twenty Foot Equivalent Units (TEU) passed through the Hong Kong's port system in July 2009 bringing the 2009 year-to-date total to 11,842,000 TEU. While still down substantially compared to last year, July's throughput was a significant increase over June 2009 and marked the largest number of containers to pass through Hong Kong's ports since October 2008.

13. (U) Looking at monthly container throughput numbers since the beginning of 2009, it appears that the decline in maritime cargo passing through Hong Kong has hit bottom and begun to show signs of recovery.

Month	Y-O-Y Growth	Total TEUs ('000)
Jan 2009	- 23.6%	1,612
Feb 2009	- 18.2%	1,345
Mar 2009	- 16.5%	1,672
Apr 2009	- 17.8%	1,725
May 2009	- 13.3%	1,767
Jun 2009	- 15.6%	1,792
Jul 2009	- 14.5%	1,930

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Marine Cargo Capacity Up
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14. (U) The Hong Kong Maritime Department reports an overall expansion of maritime cargo carrying capacity. Published figures show a 9.5 percent year-on-year growth rate in the number of cargo carrying vessels registered in Hong Kong, with a 10.5 percent year-on-year growth rate in the gross tonnage for those vessels. This increase comes in spite of

continued excess cargo capacity. According to the Managing Director of the Hong Kong Shipowners Association (HKSOA) large numbers of empty merchant vessels remain anchored in Hong Kong, waiting for a return of demand for consumer-related shipping. In some instances, these vessels are reportedly being used as off-shore holding tanks for oil in the hopes that the futures market creates a profit opportunity.

15. One explanation for the increase in cargo carrying vessels registered to Hong Kong came from the HKSOA Managing Director who noted that even as purchasers cancel orders for new ships, economies of scale make it difficult for shipyards to quickly halt production. These new vessels are being purchased by China-based ship owners with the backing of the Central Bank, he said, in hopes of a recovery ahead.

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Air Cargo to EU, US Also Recovering

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16. (U) Hong Kong Air Cargo Terminals Limited (HACTL) reported total air cargo tonnage throughput for July 2009 fell by 8.4 percent year-on-year over the same period in 2008. This marks the smallest monthly decline since September 2008. While still well below July 2008 figures, shipments to and from Hong Kong's major trading partners were up substantially from June 2009, with North America and Europe showing the largest increases. The table below shows the percentage year-on-year decline in air cargo volume for HACTL from January to July 2009.

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Month	Y-O-Y Growth
Jan 2009	-30.9%
Feb 2009	-22.0%
Mar 2009	-21.1%
Apr 2009	-22.5%
May 2009	-18.6%
Jun 2009	-14.4%
Jul 2009	-8.4%

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